

Message Text

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ACTION EB-08

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INFO USDOC WASHDC

AMEMBASSY BELGRADE

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DEPARTMENT PASS AGRICULTURE

E.O. 11652: N/A

TAGS: OVIP ETRD EAGR FSE PL

SUBJ: VISIT OF DEPUTY ASSISTANT SECRETARY OF COMMERCE REICH:

POLISH ECONOMIC PROPOSALS

1. SUMMARY: DURING MEETINGS JULY 19-21, RANKING POLISH FOREIGN-TRADE AND ECONOMIC OFFICIALS MADE SEVERAL PROPOSALS TO DEPUTY ASSISTANT SECRETARY REICH FOR EXPANDING U.S.- POLISH TRADE AND ECONOMIC RELATIONS. THEY EMPHASIZED IN PARTICULAR INTENSIFIED COOPERATION IN THE AGRICULTURAL SECTOR (INCLUDING INCREASED AMOUNTS OF CCC CREDITS AND EASIER REPAYMENT TERMS, AS WELL AS CONSIDERATION OF NEW PL-480 SALES TO POLAND), INDUSTRIAL COOPERATION IN MAJOR PROJECTS (PARTICULARLY IN THE CHEMICAL AND AGRICULTURAL SECTORS), AND CLOSER COOPERATION WITH U.S. FIRMS IN THE CHEMICAL PROCESSING OF COAL. THE POLISH APPROACH WAS POSITIVE AND FORWARD-LOOKING, ALTHOUGH THE NEED TO REACH A SATISFACTORY OUTCOME ON GOLF CARTS WAS EXPRESSED IN SEVERAL MEETINGS. END SUMMARY.

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2. DURING HIS JULY 19-21 VISIT TO WARSAW, DEPUTY ASSISTANT SECRETARY REICH MET WITH MINISTER OF FOREIGN TRADE AND MARITIME ECONOMY JERZY OLSZEWSKI, VICE MINISTER HENRYK PRUCHNIEWICZ AT THE SAME MINISTRY, DEPUTY CHAIRMAN OF THE PLANNING COMMISSION SYKSTUS OLESIK, PRESIDENT OF THE POLISH CHAMBER OF FOREIGN TRADE WLODZIMIERZ WISNIEWSKI, AND LOCAL REPRESENTATIVES OF U.S. FIRMS.

EACH OF THE POLISH OFFICIALS SEIZED THE OPPORTUNITY TO SUGGEST NEW AREAS OF COOPERATION WHICH COULD SIGNIFICANTLY EXPAND OUR BILATERAL TRADE. THEY EXPRESSED VARYING DEGREES OF SATISFACTION WITH THE COURSE OF U.S.-POLISH TRADE THUS FAR, BUT WERE DEFINITELY MORE INTERESTED IN SEEING THAT THE NUMEROUS OPPORTUNITIES FOR EXPANDING OUR TRADE ARE REALIZED.

3. MINISTER PRUCHNIEWICZ PRESENTED SEVERAL DEFINITE REQUESTS FOR USG CONSIDERATION. FIRST, HE SAID THAT, AS PROPOSED DURING THE MAY SESSION OF OUR JOINT AGRICULTURAL WORKING GROUP, POLAND WOULD LIKE TO OBTAIN ABOUT \$240 MILLION IN CCC CREDITS IN FY 1978, AN INCREASE OF ABOUT \$70 MILLION FROM FY 1977. THE GOP, PRUCHNIEWICZ SAID, HAS DECIDED TO UTILIZE FULLY THE REMAINING BALANCE OF CCC CREDITS EXTENDED FOR THIS FISCAL YEAR, MOSTLY FOR THE PURCHASE OF WHEAT. HE SAID HE HOPED THAT THE USG WOULD BE ABLE TO RETURN TO THE CREDIT CONDITIONS IT OFFERED SEVERAL YEARS AGO, SPECIFICALLY BY PERMITTING LUMP-SUM REPAYMENT OF THE CCC CREDITS AT THE END OF THE THREE YEAR PERIOD. THE VICE MINISTER SAID THAT, EARLIER THIS YEAR, CANADA HAD AGREED TO THESE RELATIVELY MORE ATTRACTIVE TERMS. (THE POLES NOW MUST REPAY ONE-THIRD OF U.S. CCC CREDITS IN EACH YEAR, PRUCHNIEWICZ EXPLAINED). THE VICE MINISTER SAID HE HOPED THE USG COULD ALSO CONSIDER THE POSSIBILITY OF REINSTATING PL-480 SALES TO POLAND. PRUCHNIEWICZ SAID THE GOP IS INTENT ON EXPANDING COOPERATION WITH U.S. COMPANIES ACROSS THE RANGE OF AGRICULTURAL ACTIVITIES -- INCLUDING CROP PRODUCTION, ANIMAL HUSBANDRY, AND FOOD PROCESSING. HE SAID LIMITED OFFICIAL USE

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THE GOP WAS RESUMING DISCUSSIONS HELD EARLIER WITH U.S. FIRMS AND WOULD EXPANDING IN AN AMBITIOUS WAY THE PLANS IT HAD EARLIER DEVELOPED IN THOSE DISCUSSIONS.

4. PRUCHNIEWICZ ALSO EXPRESSED SATISFACTION WITH THE FLEXIBILITY PROVIDED BY THE ADJUSTMENTS OF MAY, 1977, TO OUR BILATERAL COTTON-TEXTILE AGREEMENT. HE SAID THE GOP WOULD ALSO ABIDE BY THE LIMIT PLACED ON EXPORTS TO THE U.S. OF SUITS MADE OF WOOL OR MAN-MADE FIBERS, BUT HOPED USG AGENCIES WOULD BE WILLING TO CONSIDER AN UPWARD REVISION OF THE 150,000 SUIT LIMIT.

5. MR. REICH ASSURED PRUCHNIEWICZ THAT HIS SUGGESTIONS WOULD BE GIVEN FULL ATTENTION IN WASHINGTON, ADDING THAT HE COULD NOT PREDICT WHAT THE REACTION WOULD BE.

6. MINISTER OLSZEWSKI SKETCHED AN INTEGRATED THREE-PART APPROACH FOR EXPANDING U.S.-POLISH TRADE. AS THE FIRST PRIORITY, HE SAID, THE GOP HAD TO EXPAND ITS TRADITIONAL MARKETS IN THE U.S., PARTICULARLY BY ESTABLISHING DIRECT RELATIONSHIPS WITH LARGE U.S. DISTRIBUTORS AND RETAILERS OF CONSUMER GOODS. ASSEMBLY OF POLISH GOODS IN THE U.S. WAS AN OPPORTUNITY WHICH HAD NOT YET BEEN DEVELOPED, HE SAID. THE SECOND PRIORITY, OLSZEWSKI SAID,

WAS TO ESTABLISH A SOUND BASIS FOR EXPANSION OF OUR TRADE THREE
TO FIVE YEARS HENCE BY CONCLUDING WITH MAJOR U.S. FIRMS,
FURTHER INDUSTRIAL-COOPERATION AGREEMENTS, SUCH AS THAT WHICH
NOW EXISTS WITH INTERNATIONAL HARVESTER. HE MENTIONED POSSIBLE
REACTIVATION OF THE GENERAL MOTORS LIGHT-VAN PROJECT, HOTEL-
CONSTRUCTION PROJECTS PROPOSED BY MITCHELL KOBELINSKI, AND
PROJECTS IN THE AGRICULTURE AND CHEMICAL SECTORS. FOR THE LONG
TERM, THE MINISTER SAID, THE INCREASED RELIANCE OF OUR TWO
COUNTRIES ON COAL AS A SOURCE OF ENERGY, SHOULD SERVE TO BRING
OUR ECONOMIES CLOSER TOGETHER. THIS PRESENTED THE THIRD ELEMENT
OF THE POLISH APPROACH, NAMELY, AGREEMENTS WITH MAJOR U.S.
FIRMS FOR THE GASIFICATION AND LIQUEFICATION OF COAL IN POLAND.
(SUCH AN AGREEMENT WAS CONCLUDED WITH WEST GERMANY LAST YEAR.)
THE MINISTER SAID HE HOPES TO BE ABLE TO CONVINCE U.S. FIRMS
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THAT THESE OPPORTUNITIES JUSTIFY A MAJOR EFFORT ON THEIR PART.
HE WISHES TO PURSUE THIS OBJECTIVE WHILE VISITING THE U.S.
THIS AUTUMN AT THE INVITATION OF SECRETARY KREPS.

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7. MR. REICH SAID HE WAS GLAD TO SEE THAT THE MINISTER HAD IN MIND AN INTEGRATED APPROACH FOR EXPANDING OUR ECONOMIC TIES; HE WAS SURE U.S. FIRMS WOULD RESPOND WITH INTEREST TO POLISH PROPOSALS. THE U.S.- POLISH ECONOMIC COUNCIL, HE SAID, PROVIDES AN IDEAL FORUM FOR STIMULATING SUCH INTEREST. MR. REICH SAID HE WAS SURE THAT WE WOULD ALL BE LOOKING FOR WAYS TO TAKE POSITIVE STEPS IN THESE DIRECTIONS, PARTICULARLY DURING THE MINISTER'S VISIT TO THE U.S. AND DURING THE U.S.-POLISH TRADE COMMISSION MEETING LATER THIS YEAR. MR. REICH ASSURED THE MINISTER THAT SECRETARY KREPS WAS KEENLY INTERESTED IN PROMOTING THESE GOALS IN HER CAPACITY AS U.S. CHAIRPERSON ON THE COMMISSION.

8. MR. OLESIK EXPRESSED DISSATISFACTION WITH THE PROGRESS OF U.S.-POLISH TRADE TO DATE. HE SAID THAT THE HIGH LEVEL OF TURN-OVER IN 1976 WOULD NOT BE REPEATED IN 1977 AND THAT, UNLESS NEW INTEREST WAS SHOWN ON THE U.S. SIDE, WE WILL SEE OUR BILATERAL TRADE STAGNATE OR DECLINE. OLESIK SAID THE TWO MAIN PROBLEMS WERE LACK OF COMPETITIVE FINANCING FROM THE EXPORT-IMPORT BANK LIMITED OFFICIAL USE

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AND UNWILLINGNESS BY U.S. COMPANIES TO PURSUE THE TYPE OF INTEGRATED INDUSTRIAL-COOPERATION PROJECTS WHICH POLAND NEEDS. HE SAID THAT IN 1978 POLAND WOULD PROBABLY SIGN BETWEEN SEVEN AND TEN LARGE CONTRACTS AT A TOTAL VALUE OF BETWEEN \$5 BILLION AND \$6 BILLION. THE STRENGTH OF U.S. PARTICIPATION IN THESE NEW PROJECTS, HE SAID, WOULD DETERMINE THE COURSE OF OUR TRADE EVEN BEYOND 1980. HE ADDED THAT U.S. FIRMS HAD ALSO NOT BEEN ACTIVELY PURSUING OPPORTUNITIES CREATED BY POLAND'S NEW EMPHASIS ON MODERNIZATION OF EXISTING PLANTS; HE THOUGHT THAT SUCH INVESTMENTS MIGHT ACCOUNT FOR 50 TO 70 PERCENT OF TOTAL POLISH INVESTMENT OVER THE NEXT FEW YEARS AND THAT U.S. FIRMS SHOULD HAVE A COMPETITIVE ADVANTAGE IN THIS AREA. MOST U.S. FIRMS, HOWEVER, DO NOT HAVE CORPORATE STRATEGIES CONDUCIVE TO IN-DEPTH INVOLVEMENT IN THE POLISH MARKET AND ARE OFTEN, THEREFORE, NOT GIVEN SERIOUS CONSIDERATION BY THEIR POLISH COUNTERPARTS, ACCORDING TO OLESIK. MR. REICH AND MR. OLESIK AGREED THAT THEY WOULD PURSUE WAYS OF IDENTIFYING THE MOST PROMISING OPPORTUNITIES FOR U.S. FIRMS IN AN EFFORT TO SEE THAT THESE OPPORTUNITIES WERE REALIZED.

9. BOTH OLESIK AND PRUCHNIEWICZ EXPRESSED THE NEED FOR A SATISFACTORY OUTCOME TO THE GOLF-CART ANTI-DUMPING CASE. THEY DID NOT MAKE THIS THE PRINCIPAL POINT IN THEIR PRESENTATIONS, BUT MADE CLEAR THAT A NEGATIVE PRECEDENT (ONE WHICH DROVE PEZETEL FROM THE MARKET) WOULD HAVE A DISCOURAGING EFFECT ON POLISH MACHINERY EXPORTS.

10. MEMORANDA OF CONVERSATION OF MR. REICH'S MEETINGS WILL BE SENT SEPARATELY.
DAVIES

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